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C O N F I D E N T I A L SECTION 01 OF 03 DOHA 000005

SIPDIS

FOR RIYADH: PLEASE PASS TO A/S WAYNE

E.O. 12958: DECL: 01/01/2016

TAGS: [ECON](#) [EPET](#) [EFIN](#) [KTFN](#) [QA](#)

SUBJECT: SCENESETTER - VISIT OF ASSISTANT SECRETARY ANTHONY WAYNE TO QATAR

Classified By: Classified By: CDA Scott McGehee for reasons 1.4 (b) and (d).

¶1. (C) Embassy Doha is pleased to welcome you back to Doha. We expect that you will find the Qatari leadership open and responsive to the proposed Strategic Investment Initiative (SII) for several reasons. Our goals for regional democratic reform largely coincide with those of Qatar. Also, the Qatari leadership is drawn to roles that enhance its international prestige, and will likely view working with the U.S. on the SII with that optic and with its new seat on the UN Security Council in mind. Additionally, your visit comes at a time when Qatar and the U.S. appear to be seeking opportunities to get beyond the diplomatic estrangement over Al-Jazeera that has dogged our bilateral relations in recent years. Other important areas also stand to be bolstered by your visit: further cementing our energy relationship, helping support U.S. businesses, and advancing our cooperation on interdiction of terrorist financing.

¶2. (C) We have requested meetings with Second Deputy Prime Minister and Minister of Energy and Industry Abdallah bin Hamad Al-Attiyah, the Minister of State for Foreign Affairs Ahmed Abdallah Al-Mahmoud (the Foreign Minister will be out of the country), Minister of Finance Jousef Hussain Kamal, Minister of Economy and Commerce Sheikh Mohammed bin Ahmed Al-Thani, and Central Bank Governor Abdullah bin Khalid Al-Attiyah.

¶3. (U) The paragraphs that follow provide background on key current economic issues in Qatar.

4.(C) Qatar has begun to use its wealth more intensively for development and reconstruction purposes while seeking leadership roles for itself. One recent example is that establishment of the "Reach Out to Asia" foundation, headed by the Amir's daughter, Sheikha Miyassa. The importance of the foundation is part of the leadership's looking forward to the December 2006 Asian Games, which Qatar will host.

5.(C) While the foundation's activities face east, Qatar has contributed as expected to reconstruction and development in Iraq and the Palestinian Territories. In Iraq, it sought a leadership position with the establishment of a \$15 million higher education fund through UNESCO and has pledged \$100 million at Madrid. Nevertheless, Qatari has not been proactive in pursuing reconstruction efforts. This may be due in part to U.S. pressure over Al Jazeera and to the perception that Qatar is already doing its share by hosting U.S. forces here.

6.(C) In the Palestinian Territories, Qatar makes use of personal contacts when setting up bilateral programs. For example, Qatar built a soccer stadium for an Arab team in Israel and is donating 100 vehicles for the Palestinian police. The Amir has close relations with Mahmoud Abbas, who will visit Doha January 2 and 3.

¶7. (C) Over the past year, Qatari officials have maintained a behind-the-scenes dialogue with their Syrian and Lebanese counterparts in an attempt to bring about stable disengagement and to defuse tensions with the United States. Qatari officials may have concerns about how their participation in the SII might play out in their relations with Syria.

¶8. (C) In the Arab region Qatar has generally demonstrated a degree of independence and a desire to work quietly at the highest levels. The SII would institutionalize and make more transparent some aspects of regional policy. The GOQ will have to take this on board. Such an approach may complement their position on the UN Security Council. Qataris will also want to protect their role from being overshadowed by their large neighbors, the Saudis.

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Terrorism Finance  
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¶9. (U) Qatari security services have an adequate legal structure in place to pursue terrorists. In March 2004, Qatar passed the Combating Terrorism Law. The law defines terrorism and terrorist acts, lists specific punishments for terrorist

crimes to include the death penalty, provides measures against terrorist financing or fundraising activities, and gives the government authority to take action against terrorist crimes and activities. The law incorporates existing laws such as Qatar's penal code, criminal procedure code, judicial law, a law on weapons, ammunitions and explosives, and an anti-money laundering law.

**¶10. (U)** The Qatar Authority for Charitable Works, which monitors all domestic and international charitable activities, increased its resources and capabilities during 2005. The Secretary General of the Authority approves international fund transfers by the charities. The Authority has primary responsibility for monitoring overseas charitable, developmental, and humanitarian projects, and reports annually to Government ministries on the status of all projects. The Authority is developing measures to exert further control over domestic charity collection.

**¶11. (U)** Qatar continues to develop its financial intelligence unit (FIU). The FIU is responsible for reviewing all financial transaction reports, identifying suspicious transactions and financial activities of concern, and for ensuring that all Government ministries and agencies have procedures and standards to ensure proper oversight of financial transactions.

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Energy Sector  
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**¶12. (U)** Qatar's economy is one of the fastest-growing in the world, achieving a 20.5% increase in GDP in 2004 and is expected to record equal or better growth for 2005. Per capita income is nearing \$38,000, exceeding that of the U.S. and soon to be the highest in the world. Qatar's vast wealth has resulted from the successful development of its natural gas resources over the past 10 years with plans for even greater expansion over the next decade. Under the leadership of the Minister of Energy and Industry, Qatar Petroleum is maximizing use of Qatar's natural resources to diversify the economy and provide business and employment opportunities to Qataris. Since 1999, there has been \$60 billion in foreign investment in Qatar's energy sector, about \$40 billion of it coming from U.S. companies. Qatar plans to invest \$70 billion in the natural gas sector over the next seven years.

**¶13. (U)** The GOQ estimates Qatar's oil reserves are at 27 billion barrels. Qatar's daily average production is currently estimated to be 806,000 barrels per day; at current production rates, oil reserves are expected to last 20 to 40 years. Qatar's goal is to increase overall production capacity to over one million bpd by 2006. Occidental and Anadarko are the two U.S. companies operating in this sector.

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Oil Production  
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**¶14. (U)** Foreign oil operators in Qatar include Maersk Oil (Norway) in Al-Shaheen at 300,000 bpd; Occidental Petroleum in Idd Al-Shargui North and South Domes with a combined 100,000 bpd (90,000 in the North Dome and 10,000 in the South Dome); TotalFinaElf (France) in Al-Kahleej with 30,000 bpd; and, Anadarko (USA) Al-Rayyan with 15,000 bpd. Qatar's oil exports target primarily the Asian market: Japan 71.5%, Thailand 8%, South Korea 8%, Singapore 5.5%, China 3.5% and other countries 3.5%.

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Natural Gas Production  
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**¶15. (U)** The majority of Qatar's current development in the energy sector is focused on its natural gas reserves. Discovered in 1971, Qatar's North Field contains 15.3% of world natural gas reserves, third behind Russia and Iran. Estimated at 900 trillion cubic feet (tcf), the North Field is the largest non-associated gas field in the world. The North Field extends over an area of approximately 6,000 square kilometers is expected to support planned production for over 200 years.

**¶16. (U)** QP manages the natural gas sector through its two major joint ventures, Qatargas and RasGas. The GOQ's primary goal is to supply 78 million tons of LNG annually to the international market by 2012 in order to meet about 30% of the global energy needs for LNG. GOQ officials have said that QP would increase its LNG output from 15.1 million tons per annum (mtpa) in 2003 to 20.2 mtpa by the end of 2004. In October 2004, Minister al-Attiyah said that Qatar plans to invest \$70 billion in the natural gas sector over the next seven years. The production facilities for Qatargas, Rasgas and other natural gas related projects are located at Ras Laffan Industrial City.

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Al-Khaleej Gas Pipeline Project  
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¶17. (C) A Memorandum of Understanding was signed between QP, ExxonMobil and Kuwait Petroleum Corporation (KPC) in July 2000 to develop a project to transport natural gas from Qatar to Kuwait. The execution of this project awaits the approval of the Kingdom of Saudi Arabia to allow part of the pipeline to go through Saudi territorial waters. The GOQ wants the U.S. to convince the Saudis to agree to an easement for the pipeline. The Saudis do not appear willing to budge, leaving Kuwait in a position to look to Iran to provide additional gas supplies.

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Trade Issues  
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¶18. (U) Qatar signed a Trade and Investment Framework agreement with the U.S. in March 2004 but progress toward a Free Trade Agreement is moving slowly at best. The Minister of Economy and Commerce has expressed his commitment to achieving a FTA, but doing so will require Qatar to remove such trade obstacles as mandatory majority Qatari ownership of most businesses, the government telecom monopoly, restrictions to foreign investment in the financial services sector, labor issues, and transparency in government procurement.

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Political Reform  
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¶19. (U) Qatar's own program of reform, launched by the Amir after he assumed power in 1995, took a significant step forward last June when its first constitution came into force. The constitution calls for a two-thirds elected national legislature. These elections have not been scheduled but are expected to take place sometime in early 2007. Qatari women will have the right to vote and will be encouraged by the government to run for office. In municipal elections in 1999 and 2003, women here were the first in the Gulf region to cast votes, and one woman was elected to the council.

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Dramatic Changes in Education  
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¶20. (U) Education reform, headed by the Amir's wife, Sheikha Mozah, is becoming a showcase. This reform includes a sweeping revamp of Qatar's pre-university and higher education system based on Rand Corporation recommendations. Also as part of this effort, Qatar has brought to its "Education City" the branch campuses of Texas A&M University, Virginia Commonwealth University, Carnegie-Mellon, and the Weill-Cornell Medical College. In May, Georgetown University signed an agreement with Sheikha Mozah's Qatar Foundation to open a branch campus here in September. These have been ground-breaking efforts that have been hailed by many as models for other states in the region.

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Al-Jazeera  
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¶21. (C) Al-Jazeera remains a blight on our robust cooperation. In response to our repeated protests and appeals, Al-Jazeera's management claims to have reduced the air time given to Al-Qaida and kidnappers' videos, and have made efforts to address the inflammatory nature of its reporting from Iraq. The channel has highlighted to us its coverage of pro-democracy movements in Lebanon and Egypt as well as broader coverage of Middle Eastern politics. Al Jazeera Managing Director told the Ambassador, "If the Americans want to find a proper partner in its effort to get democracy and reform, they won't find a better one than Al Jazeera."

¶22. (C) During the Ambassador's May 2005 visit to Washington, the consensus of opinion among USG agencies monitoring Al-Jazeera is that the station has shown some signs of improved broadcasting but still remains unacceptably sloppy in its journalist practices and in its anti-American editorial bent. The Al-Jazeera issue has cast a long shadow, affecting cooperation on a variety of bilateral initiatives floated by the U.S. The GOQ wants to find ways to put U.S.-Qatar relations on a stronger, more positive foundation. We anticipate that your Qatari interlocutors will welcome your visit and the SII as a chance to move toward that objective.

MCGEHEE